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**Introduction**

As an energy-intensive company, we are committed to fulfilling our share of the global responsibility to keep the rise in worldwide temperature well below 2° C and pursuing efforts to limit it to no more than 1.5° C, as set out in the Paris Agreement. We accept our role in achieving this ambition and have adopted a global CO2 reduction roadmap with clear targets for 2025/2030 and the ambition to reach a carbon emissions net-zero status by 2050.

HeidelbergCement cooperates proactively with policy makers, communities, sectoral business partners and other stakeholders to create the appropriate framework conditions to support the implementation of sustainable solutions for climate change mitigation and adaptation. We advocate for a predictable and reliable legislative environment that supports the introduction of sustainably produced and performing building materials and fosters the transition towards a climate-neutral society. We have established governance structures to ensure that political interest representation is aligned with our Group-wide climate policy.

With this report we document our position on energy and climate policies to ensure industry transition towards a carbon-neutral economy without jeopardizing prosperity and we detail our governance processes to ensure alignment with our climate policy when engaging in direct and indirect advocacy.

Regarding indirect advocacy, this report describes the outcome of our review of 13 key associations and initiatives regarding their alignment with our own positions concerning industry transition and climate protection. The result of the assessment shows a good general alignment with the 13 key associations assessed. 9 associations are fully aligned with HeidelbergCement positions in relevant issue areas concerning industry transition and climate change, while 2 associations are partially aligned, and 2 associations are partially misaligned. No association is fully misaligned.

As part of our ongoing due diligence, we aim to publish an updated report on our associations and memberships on an annual basis.
HeidelbergCement’s positions on industry transformation and climate protection

HeidelbergCement fully supports the Paris Agreement as laid out in its Group-wide Climate Policy and has developed a comprehensive strategy and underlying action plans for all its assets with the clear ambition to reach a carbon emissions net-zero status by 2050 at the latest and so to offer all our customers carbon-neutral concrete. In June 2021, HeidelbergCement also signed the "Business Ambition for 1.5°C Commitment", a global initiative that confirms our ambition. In the same step, the company also joined the UN "Race to Zero" campaign in the run-up to the 26th UN Climate Change Conference (COP 26) in Glasgow in November 2021, further underlining our leadership role on the road to carbon neutrality in the cement industry.

Climate change is a global issue and should therefore be tackled on a global level. HeidelbergCement advocates for global level playing field conditions to enhance effective responses to climate change, based on sectoral and local action. We have set our own binding emission reduction targets in alignment with the Paris Agreement and will continue to cooperate closely with industry peers as well as competent advisors and suppliers to reduce the carbon emissions of our industry. At the same time, we have strengthened our internal government affairs and association management structures during 2021 in order to further increase our proactive and collaborative approach towards our associations and industry partnerships in view of moving jointly towards net zero carbon buildings by 2050.

In political engagements we do not comment on politically set ambition levels for emission reduction targets, but on necessary policy instruments to meet these targets. Our political engagements concerning industry transition and climate protection focus on the aspects of carbon pricing, energy transition, CCU/S, circular economy, sustainable construction, procurement, and sustainable finance. These aspects determine our ability to fulfil our commitment to offer carbon-neutral concrete across our product portfolio by 2050 at the latest. Due to the bottom-up approach of the Paris Agreement, countries show varying levels of ambition and implement different policy frameworks. Hence, the Group positions described below serve as a guidance for developing specific positions reflecting the international, supranational, national, or local contexts of our political engagements.

Carbon pricing and carbon leakage protection

We need a global level playing field creating the same carbon cost burden for all market participants to make carbon-neutral production a business case.

A global framework is the best option to incentivize emission reductions, as it internalizes external carbon cost and incentivizes investment in emission reduction by ensuring a global level playing
field. Sector-specific cap and trade schemes are the most cost-effective carbon pricing systems because they guarantee that emissions will fall below predetermined emissions targets considering hugely different abatement costs in the different sectors.

In absence of a global carbon price, national or regional carbon pricing schemes need effective carbon leakage protection to avoid deindustrialization and incentivize emission abatement. Carbon leakage protection acts as a proxy for an absent global level playing field either by ensuring equal production cost levels for all market participants or by compensating competitive disadvantages. The proposal of the European Commission on a carbon-border adjustment mechanism is one example. Carbon leakage protection measures need to ensure that carbon pricing delivers effective and comprehensive carbon emission reduction results. Ensuring that all market participants bear the same cost is the best way to ensure a level playing field while incentivizing emissions reductions, because carbon costs are fully internalized.

The implementation of new cap and trade schemes systems or any changes to existing carbon leakage protection measures needs to be introduced gradually to avoid system shocks and market discrimination of certain products. In addition, these instruments must be accompanied by political and financial support measures into breakthrough technologies that reduce emissions at scale.

**Energy transition**

**We need sufficient and secure supply of renewable energy and alternative fuels with high biomass content at competitive prices.**

The transition to a carbon-neutral economy demands a vast supply of renewable energy and additional generation capacity. As the deployment of low-carbon breakthrough technologies will increase demand of renewable energy, policies to scale-up renewable energy and incentivizing fuels switches to non-fossil sources need to be implemented.

Policies must be developed that ensure competitiveness of energy-intensive industries by implementing cost-effective support schemes for energy transition. Due to lower financing cost, models based on the concept of contracts of difference should be the preferred policy option. Policies concerning the scale-up and increased offtake of renewable energy must ensure that the cost of climate-neutral energy sources (electricity, hydrogen, alternative fuels) is brought below current levels.

Hydrogen will become an important energy commodity and resource in a carbon-neutral economy. Political efforts should focus on accelerating an international market build-up and strengthen international cooperation. While the goal is to satisfy future demand with green hydrogen, other options of hydrogen production should be utilized as well for the time being. Technology choices should be based on the carbon footprint of hydrogen production. This accelerates the build-up of an international hydrogen market and reduces cost during the build-up phase. Hydrogen volumes should be dispatched with priority to industrial users to accelerate
industry transition. Utilizing hydrogen as a fuel or resource in energy-intensive industries provides high emission avoidance potential.

Policies should also adopt be a coherent biomass and alternative fuel strategy to ensure sustainability criteria are respected while increasing access to, in particular, waste-based resources. Landfilling should be banned or heavily taxed.

**Carbon capture and utilization (CCU)**

*We need a positive investment climate making circular carbon solutions competitive to minimize the need for carbon storage of otherwise unavoidable process emissions.*

Two thirds of direct emissions in cement production are unavoidable process emissions from calcinating limestone into clinker. CCU offers an option to minimize the need for storing such process emissions by creating a circular economy. Emissions removed via CCU technology should be accounted in climate policies and emission reduction targets.

Fast development of international transport infrastructures for hydrogen and carbon, connecting emitters with users, is a necessary precondition and should become a political priority.

Public financial support for scaling necessary technologies to market readiness needs to be ensured. Making circular carbon business models competitive in comparison with conventional linear business models demands the temporary compensation for cost disadvantages for early movers. Opex support schemes and acknowledging emissions avoidance resulting from CCU in carbon pricing schemes should be implemented to incentivize CCU.

**Carbon capture and storage (CCS)**

*We need to develop and deploy carbon capture and storage to tackle unavoidable industrial process emissions, which cannot be utilized via CCU applications.*

HeidelbergCement welcomes political initiatives to develop CCS. Two thirds of direct emissions in cement production are unavoidable process emissions from calcinating limestone during the clinker production process. In case of lacking options to sustainably utilize captured carbon emissions, carbon capture and storage tackles the challenge of unavoidable process emissions.

The deployment of carbon capture and storage technologies demands fast development of international and ramified CO$_2$ transport infrastructures (ships, railway, pipelines) connecting emission sources with storage sites, as this is a necessary precondition to create viable business models for carbon capture and storage. Infrastructure planning should therefore be a priority for political decision makers.

The capture and storage of biogenic carbon emissions (Bioenergy with Carbon Capture & Storage – BECCS) enables negative emission capabilities to offset residual emissions in other sectors or
CCU applications. To enable negative emissions or compensating residual emissions, the deployment of carbon capture and storage should be accelerated by rewarding the capture and storage of biogenic emissions through issuing tradeable negative emissions certificates in carbon pricing schemes. To optimize the impact of negative emissions and leverage synergies resulting in reduced cost, alternative fuels with high biomass-content should be routed towards industrial high temperature processes in combination with foreseen access to CO₂ transport infrastructures.

**Circular economy**

We need to change market conditions to reroute material flows towards circular business models and products without penalizing necessary virgin raw materials extraction.

Construction and demolition waste recycling rates are high in most developed countries, but many fractions are currently being downcycled. Other materials suitable for reuse are being landfilled. Material flows destined for downcycling and landfilling should therefore be rerouted for circular reuse in cement and concrete production to fully close materials and carbon cycles.

Rerouting material flows towards circular products should be incentivized by revising demolition waste management regulations and implementing disposal bans or fees matching at least the cost of reusing the recycled material for new construction purposes. The market access of circular products needs to be made easier by revising product and construction norms and by creating market demand through sustainable procurement principles. Momentum for using recycled products can be created by implementing financial incentives for private customers and by deploying green public procurement schemes, based on a full life-cycle-analysis, considering carbon footprint and other sustainability-related aspects, such as recyclability.

Virgin raw material taxes or recycling quotas are mostly not suitable for incentivizing circular business models, as they only increase the cost base of construction material producers without incentivizing a rerouting of material flows towards recycled products, independent from the fact that the total amount of available waste materials is not matching the demand for construction materials. To avoid use conflicts between after use obligations of raw materials extraction sites and circular products, after-use concepts should not demand backfilling and instead incentivize biodiversity-focused rehabilitation concepts by rewarding the creation of nature reserves.

**Sustainable construction**

We need to consider the full life cycle of the built environment, focus on circular economy measures, and foster resource-efficient construction material production without technology reservations.

Choosing the most sustainable building material demands a full life-cycle assessment of a construction project and a consideration of conflicts with other sustainable development goals.
This needs to be based on a harmonized and non-discriminatory methodology relating the carbon footprint to the performance of a construction material for all larger construction projects.

To improve the availability of more sustainable construction materials, the marketing of innovative circular products and access to necessary materials must be eased by revising current product and construction norms and rerouting material flows for circular reuse in construction materials production. Implementing fiscal incentives for users or green public procurement schemes considering the full life cycle, recyclability, and performance of products besides just the price, is needed to stimulate the market demand for more sustainable construction materials.

**Sustainable finance**

We need an enabling financial framework that rewards investment into industry transformation with better access to finance and lower capital cost.

To ensure that low-carbon breakthrough technologies can be scaled and deployed with minimal financial risk, state aid guidelines for public funding of low-carbon breakthrough technologies must be revised to enable capex and opex support compensating competitive disadvantages compared to conventional production. This should include new financial instruments such as Carbon contracts for difference, that enable an improved access to finance and provide more options for issuing green bonds.

Taxonomies defining what sustainable business practices are should be harmonized and implemented globally to create a level playing field. They need to provide clarity and solutions for potential misalignments between conflicting environmental and social objectives and by this to ensure access to capital needed to invest in low-carbon breakthrough technologies. To avoid unintended barriers for access to finance, any taxonomy should focus on the end of a product value chain and provide criteria for intermediate solutions based on technology openness.

New financial instruments should enable easy access to finance by providing more options for issuing green bonds. To provide relevant information to capital markets and to avoid competitive distortions, reporting requirements should be globally harmonized and focus on future-oriented KPIs that provide information on the future corporate resilience of a business, as proposed by the Taskforce on Climate-related Financial Disclosure (TCFD).

**Biodiversity**

We need an enabling policy environment where planning requirements aligns with biodiversity strategies and nature restoration objectives are factored into spatial planning

An enabling policy framework is needed that gives recognition to sectoral contributions to restoration, supports the inclusion of biodiversity into post-extraction schemes, and prevents the plantation of invasive alien species. To facilitate the return of quarries to priority habitats and
therefore support the global restoration agenda, we need the prioritisation of non-recyclable inert material (for example subsoils from construction projects) to be directed towards quarry reclamation for optimal land forming. Recyclable mineral material should be directed towards the production of new building materials.

The extraction of construction raw materials should be recognized as an important instrument in climate adaptation, when e.g. included in floodplain remodelling as a flood alleviation mechanism. To improve comparability on the net impact of extractive activities on biodiversity, a harmonised measuring and reporting procedure should be developed.

The strong collaboration between the sector and the academic world in driving forward knowledge and management of biodiversity in quarries, through public and private initiatives such as the Quarry Life Award, should receive political endorsement.
Conduct and governance of political engagements

HeidelbergCement recognizes the importance of carrying out political engagements in a fair and transparent manner and pursues a constructive dialogue with political stakeholders. Political engagements are important for us to understand trends and anticipate regulatory expectations and developments as well as to communicate and advocate for our views. We conduct these engagements directly via own representatives and indirectly via industry associations.

HeidelbergCement conducts all political engagements in a politically neutral manner and extends views on relevant issues, but not on political parties or individual policy makers. To foster transparency, we report on our activities and publish the names our representatives in applicable transparency registers and support the implementation of such registers in jurisdictions which have not yet done so.

We conduct any political engagement in compliance with our own code of business conduct and other company policies, such as our climate policy, data protection policy, compliance policy, as well as our competition law and anticorruption guidelines. Our employees will never offer, provide, or accept, either directly or indirectly, any undue pecuniary or other advantage for the purpose of obtaining any improper advantage. Representatives of HeidelbergCement will always identify themselves by name and affiliation when acting on behalf of the company. Our representatives will always provide facts-based and accurate information during political engagements.

HeidelbergCement does not fund political parties. The same applies to members of governments and parliaments or electoral candidates. These rules do not apply to legally constituted groups of employees (e.g. political action committees in the U.S.). Any sponsoring of individual events in a political context must be approved by the responsible General Manager in alignment with the Director Group Communication and Investor Relations. All sponsoring will be made transparent.

HeidelbergCement encourages employees to participate in the political process. Employees are free to make political contributions, including contributions to political action committees sponsored by trade associations or other groups, or otherwise participate in the electoral process in their own personal capacity. In making a personal contribution, the employee may not hold himself or herself out as making that contribution on behalf of or at the direction of HeidelbergCement. Our representatives tasked with political engagements will always clarify if they are speaking on behalf of HeidelbergCement or in a personal capacity. When speaking on behalf of HeidelbergCement, representatives will liaise with Senior Management on political engagements and align their messages with prior defined and approved Group positions.

We assure global alignment of our advocacy work and our activities in associations through governance processes leveraging interdisciplinary task forces that include experts from Group staff functions and operations to formulate Group positions. This approach ensures that the latest developments in technology and policies are considered when preparing Group positions.

Six interdisciplinary working groups comprising experts from different departments are responsible for the topics of CO₂ management, sustainable land management, sustainable
construction, social responsibility, sustainability strategy and risk management, as well as sustainability ratings and reputation. Several subgroups have been allocated to each of these topics, which are coordinated by steering committees, as in the case of CO₂ management. The working groups report to the Managing Board. They coordinate all issues relating to environmental sustainability and climate change at Group level by defining positions, guidelines, goals, and measures, as well as coordinating their implementation.

The local management is responsible for adapting Group positions to the relevant legislative and regulatory contexts and for communicating those positions to government officials. Group Communication & Investor Relations is supporting local operations and ensures principal alignment with Group positions is ensured. Internal expert groups and networks are also utilized to inform relevant staff about adopted Group positions.

Direct engagements concerning industry transition and climate protection

HeidelbergCement increased its direct political engagements on political framework conditions concerning industry transition and climate protection throughout 2021. Given the pandemic situation, this also involved an increasing level of virtual meetings and online conference attendance.

Our senior and top management engaged in multiple public panel discussions as well as high level workshops and multi-stakeholder events oriented towards international, regional and national organisations and governments to provide HeidelbergCement's views on necessary policy instruments to achieve industry transition and climate protection. These engagements were primarily concerned with the need to implement a coherent framework for industrial decarbonization, including a tightening of carbon policies combines with border adjustment mechanisms and the need to accelerate deployment of CCU and CCS. Other main areas included the need to create lead markets and new standards for low-emission products. During these engagements senior and top management representatives pushed for fast deployment of CO₂ infrastructures and a revision of existing regulations to enable acceptance of removed emissions via CCU and CCS in emission trading schemes. Our senior and top management is also directly involved in our key associations.

Apart from high level policy engagements by top and senior management, our Group government affairs staff engaged directly in exchanges with representatives from governments, international organisations, as well as industrial and societal stakeholders to provide information on company positions. These engagements were primarily concerned with the issue areas as described above. Our government affairs staff also participated in public panel discussions hosted by government bodies and NGOs. Our staff also participated in expert workshops and actively supported several studies conducted by independent think tanks, such as the European Roundtable on Climate Change and Sustainable Transition (ERCST), Dena or Agora Energiewende, with their expertise.
Association review approach

The focus of this review lies on 13 associations and initiatives, where we can make significant contributions, and which strongly engage in political debates concerning industry and climate protection. As part of our ongoing due diligence, we publish an updated report on our associations and memberships on an annual basis.

In 2021, our political contributions for direct political engagements and indirect political engagements via associations were as follows:

<table>
<thead>
<tr>
<th>Spend category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Direct political engagements*</td>
<td>€1,350,000.00</td>
</tr>
<tr>
<td>(expenditures for own interest representation)</td>
<td></td>
</tr>
<tr>
<td>Indirect political engagements**</td>
<td>€2,300,000.00</td>
</tr>
<tr>
<td>contributions to trade associations or tax-exempt groups</td>
<td></td>
</tr>
<tr>
<td>Contributions to political parties, campaigns, or referendums</td>
<td>€0.00</td>
</tr>
</tbody>
</table>

* This includes for example travel, salaries, rents, and projected advocacy expenses. Some lower expenses due to the corona pandemic resulting in restricted travelling applies.

** This includes the estimated share of membership and service fees for trade associations and contributions to think-tanks used for political engagements. The largest contributions in 2021 were made to the Global Cement and Concrete Association (GCCA), Cembureau and Birdlife International as part of our global nature and biodiversity conservation partnership.

Association engagement

Associations play an important role. They provide knowledge on relevant issues and highlight the effects of policy proposals on society by facilitating public dialogue. Membership in an association provides access to industry standards and technical insights. Factors for joining and reviewing membership in associations include their relevance for our sector and alignment with our business purpose, their topical focus areas and activities, cost-effectiveness, and the presence of appropriate guidelines with respect to anti-trust and competition laws.

HeidelbergCement is member of numerous associations. Our level of engagement ranges from presidencies, board membership and participation in committees or working groups to observer status only. Our engagement in associations varies depending on their size, nature, and strategic relevance for our business. We aim for a strong and active membership in sector-specific associations to shape the strategic policy direction. Most of these associations or their engagements are concerned with sustainability related or technical questions or share best practices and do not engage in political discussions concerning industry transition and climate protection. Therefore, they are not part of this review.
To further strengthen our governance structure, HeidelbergCement has created a Global Association function to provide continuous oversight over industry association advocacy, ensure alignment with our positions and help ensure our commitment to responsible and constructive advocacy is shared by the associations of which it is a member.

HeidelbergCement representatives within the associations are asked to clearly communicate expectations, take the appropriate measures if these are not being met, and report any major misconduct. All representatives are encouraged to take an active position within the association in support of our policy asks. If an association’s position on an issue of strategic importance deviates from our position, we increase our engagement in the bodies of this association and signal our dissent to improve alignment or to demand that the association does not take a position. If the association repeatedly pursues policies and actions that are contrary to HeidelbergCement’s positions or if reasonable measures to advance the goals of the Paris Agreement are repeatedly opposed, we will publicly state our disagreement, assess association’s performance and membership value and finally review if exiting the association is appropriate. We believe exiting an association is only appropriate as last resort since aligning positions as a sector or industry across companies and associations is a precondition for achieving a carbon-neutral economy.

**Scope and assessment methodology**

We focus on 13 key associations where we can provide substantial contributions.

The associations selected for review are actively and publicly engaged in strategic political debates concerning industry transition and climate protection. A further selection criterion is the business relevance of the political arena in which the association acts. Only association memberships of fully consolidated subsidiaries have been assessed. Due to our operational footprint and current political debates, the regional focus of driving progressive climate policies is on Europe, Germany, and North America. The following industry associations were therefore selected for the detailed analysis in this report:

- **International**
  - GCCA (Global Cement and Concrete Association)
- **European Union**
  - Cembureau (European Cement Association)
  - ZEP (Zero Emissions Platform)
- **France**
  - SFIC (Syndicat Français de l'Industrie Cimentière)
- **Germany**
  - BBS (Bundesverband Baustoffe – Steine und Erden e.V.)
  - BDI (Bundesverband der Deutschen Industrie e.V.)
  - VDZ (Verein Deutscher Zementwerke e.V.)
  - VIK (Verband der Industriellen Energie- und Kraftwirtschaft e.V.)
  - Stiftung KlimaWirtschaft
The purpose of this association review is to identify material misalignment between our own positions concerning industry transition and climate protection and our key association’s positions. For the review, we have assessed publicly available information and internal documents on the positions of the associations. This includes primary data gathered for example from the associations’ websites, position papers, and other sources. The review covers positions and statements issued by the associations from 1st January 2021 until 31st December 2021. The positions of the associations reflect the respective – usually national – context. Detailed positions and input of associations on climate legislation proposals need to reflect the political, economic, and social environment of the specific jurisdiction and setup. This may result in the associations having specific contextualized positions.

The criteria for assessing an association’s alignment with our own positions, as described in chapter 2, concern the overall strategic direction of positions taken in the following issue areas:

- Commitment to the Paris Agreement and net-zero pathway until 2050
- Carbon pricing and carbon leakage protection
- Energy transition
- Carbon capture and utilization (CCU)
- Carbon capture and storage (CCS)
- Circular economy
- Biodiversity
- Sustainable construction
- Sustainable finance

The alignment with our own positions concerning industry transition and climate change has been categorized as follows:

**Full alignment**
- The association’s positions match the positions of HeidelbergCement in all assessed issue areas to full extent.

**Partial alignment**
- The association’s positions match at least four positions of HeidelbergCement in all assessed issue areas to full extent and the association does not take opposing positions in any issue area.
Partial misalignment
- The association’s positions match three or less positions of HeidelbergCement in all assessed issue areas to full extend or the association takes an opposing position in one issue area.

Full misalignment
- The association’s positions match no positions of HeidelbergCement in all assessed issue areas or the association takes more than one opposing position concerning the assessed issue areas.

As associations are consensus-oriented organizations that have to reflect the views of its members, we do not view the absence of an association position concerning the issue areas mentioned above as a misalignment as long as no opposing position on any issue area is being taken by the association in question. If an association is not taking a position on one of the issue areas, it cannot achieve the status of being fully aligned with our positions.
The table provides an overview of the extent to which the assessed industry associations match HeidelbergCement’s positions in the assessed issue areas. Green signifies alignment to full extent, while red signifies opposition and yellow signifies only partial alignment with HeidelbergCement’s positions on industry transformation. White signifies a lacking position.

<table>
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<tr>
<th>Association</th>
<th>Paris Agreement</th>
<th>Carbon Pricing</th>
<th>Energy Transition</th>
<th>CCU</th>
<th>CCS</th>
<th>Circular Economy</th>
<th>Biodiversity</th>
<th>Sustainable Construction</th>
<th>Sustainable Finance</th>
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<td>GCCA</td>
<td>Green</td>
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The table provides an overview of the extent to which the assessed associations are overall aligned and where HeidelbergCement will increase its engagement to shape the policy direction of the association in question:

<table>
<thead>
<tr>
<th>Association</th>
<th>Full alignment</th>
<th>Partial alignment</th>
<th>Partial misalignment</th>
<th>Full misalignment</th>
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**Fully aligned associations**

The highest alignment is with our sector-specific cement industry associations – GCCA, Cembureau and VDZ – and like-minded coalitions supporting industry transition – namely ZEP and Foundation KlimaWirtschaft. We are deeply involved in the work of these associations. Our senior and top management holds presidencies or board memberships, while Group association and government affairs staff and experts from relevant departments provide their expertise as active members in working groups and committees concerned with climate and energy policy.

In 2021, the Global Cement and Concrete Association (GCCA) issued its ‘2050 Cement and Concrete Industry Roadmap for Net Zero Concrete’. The roadmap includes key milestones for 2030 and represents the commitment of 40 of the world’s leading cement and concrete
manufacturers to reach net-zero concrete by 2050. The targets are underpinned by a seven-step policy roadmap: carbon capture and utilisation / storage, savings in clinker production, cement and binders, efficiency gains in concrete production and designs and construction, decarbonisation of electricity and recarbonisation. The GCCA also became the first global heavy industry association joining UN’s Race to Zero as an accelerator, pledging to reach net zero by 2050. HeidelbergCement actively contributed to the content and commitments outlined in the roadmap and its ambition for the global industry sector. As the GCCA is operating on international level it, did not engage in political debates concerning specific legislative proposals. In addition, together with the World Economic Forum, GCCA has newly founded the Concrete Action for Climate Initiative. Its main objective is to support the objective of delivering net-zero concrete to the world by 2050. The CAC initiative focuses on areas that require cross-industry and multistakeholder collaboration with three key strategic objectives in the near-term: refine/peer-review the global cement sectoral transition strategy with a broader group of stakeholders, increased public-private dialogues, and establish common definitions and demand-side measures for sustainable concrete and cement products. CAC is housed by the Mission Possible Partnership (MPP), an alliance focused on accelerating the industrial decarbonation of hard-to-abate industries. HeidelbergCement is represented in the board of GCCA by a member of the company’s Managing Board and several General Country Managers as well as present in all major working groups. The Chairman of HeidelbergCement’s Managing Board has also been named the Chairman of CAC.

Cembureau, the European cement industry association, published an updated carbon-neutrality roadmap in alignment with the Paris Agreement already in 2020. This roadmap sets out the cement industry's ambition to reach net zero emissions along the cement and concrete value chain by 2050. The Roadmap looks at how CO₂ emissions can be reduced by acting at each stage of the value chain – clinker, cement, concrete, construction and recarbonisation – to achieve carbon-neutrality by 2050. It quantifies the role of each technology in providing CO₂ emissions savings, making concrete political and technical recommendations to support this objective. Cembureau activities in 2021 were in support of the objectives of the EU Green Deal and prepared the grounds for forthcoming political debate on individual policy measures by providing constructive and supportive input on, notably, the EU “Fit for 55” proposals. Focus areas concerned primarily the implementation of a carbon boarder adjustment mechanism, review of the EU ETS, the EU circular economy and built environment and sustainable finance. Cembureau supports the review of the EU ETS in combination with an effective carbon boarder adjustment mechanism. A functioning carbon leakage protection is necessary to ensure a successful transition and avoid system and price shocks that would limit the capacity of its member companies to invest in low-carbon breakthrough technologies. Cembureau also supported the advancement of the EU Innovation Fund and advocates for fast development of an EU-wide CO₂ management system and transport infrastructures. Regarding the EU sustainable finance and taxonomy, Cembureau continued to push for fast issuance of the necessary delegated acts to clarify reporting requirements. It supported the Commission’s call for extending the state aid rules to major decarbonization projects. In the area of circular economy, Cembureau advocates for landfill bans and argues for that the EU circular economy action plan should boost circularity of construction materials. Cembureau also calls for the revision of existing product and construction
standards to increase the use of recycled materials as part of the forthcoming Construction Product Regulation. HeidelbergCement is presented in Cembureau’s board through one of our Members of the Managing Board and several General Country Managers. We are present in all working groups and relevant task forces.

AITEC (Associazione Italiana Tecnico Economica del Cemento) represents the main Italian cement producers at national level since 1959. Italcementi, the Italian subsidiary of HeidelbergCement AG, is a member of AITEC as well as Federbetton, the umbrella organisation including concrete. In mid-2021, AITEC officially presented the “Italian Cement Sector Strategy towards Decarbonization”, a comprehensive road map that includes the actions planned to drive the national cement sector to the complete decarbonization by 2050. The plan includes policy proposals in line with our group position containing a carbon leakage protection measure (CBAM), clean energy transition, CCUS, Circular Economy, Sustainable Construction and Sustainable Finance topics. The roadmap has been presented to the Italian Government and a constant dialogue with the involved Ministries has been established and is continuing. The commitment of AITEC and Federbetton is also explicated in the Sector Sustainable Report issued by Federbetton in October. The report is in line with the EU’s Green Deal and entails a plan of significant new investments across the industry covering the adoption of major transition technologies including CCUS and AF substitution. A considerable effort in terms of communication on the decarbonization roadmap has been put in place at national level with strong involvement of Italcementi. In 2022, work will focus on the implementation of the roadmap. The General Manager of Italcementi has been presiding both, AITEC and Federbetton, since June 2018 and the company is represented in the relevant working groups.

The UK Minerals Products Association (MPA) is the industry trade association for aggregates, asphalt, cement, concrete, and other construction material industries. In 2020, Hanson UK (the British subsidiary of HeidelbergCement AG) has worked closely with MPA and other industry partners in developing the ‘Beyond Net Zero’ roadmap for the cement and concrete sectors in the UK. Hanson is also involved in the development of similar net-zero roadmaps for the aggregates and asphalt sectors currently being developed for publication in 2022. Other key focuses of MPA include sustainable construction and finance. On the former, MPA has established a Concrete Centre which aims to ensure that whole life carbon is considered in policy developments. Circular economy is also being discussed but policy asks are less mature as it is the case for CO2. The Group CEO of Hanson UK is chair of the MPA board and we are present in the relevant working groups.

Syndicat Français de l’Industrie Cimentière (SFIC) is the French cement industry association. SFIC signed and published its decarbonization roadmap with the French ministry in charge of industry. The roadmap complies with the National Low Carbon Strategy scenario of the government aimed at decreasing CO2 emissions in concrete 24% by 2030 (compared to 2015) and 85% by 2050. For 2030, the plan outlines multiple instruments including a further improvement of the sectors’ energy efficiency performance as well as energy fuel switch to alternative fuels and renewables. The roadmap also pushed the government to adopt and implement new laws supporting the uptake of low carbon cement. To meet 2050 goal, new technology should be implemented based on CCUS. The SFIC reminds French policy makers
that the roadmap will be achieved under certain conditions such as a strong public support for this ecologic transition, notably by the recovery plan, competitive access to energy and also a technology neutrality when it comes to the definition of building regulation. SFIC is also fully involved in the development of circular economy actions, notably in the context of the new “REP” regulation that extends the producer responsibilities and should further incentivise recycling in the construction sector. REP is the French regulation that put on producers the obligation to take care of their products at the end of their life and to assume the collection and treatment of building construction waste free of charge. This new regulation should contribute to the development of recycling. HeidelbergCement France is represented in the executive board of SFIC and active in the relevant working groups.

The German cement industry association Verein Deutscher Zementwerke (VDZ) has an existing roadmap aimed at achieving a carbon-neutral cement industry in Germany by 2050. This roadmap was developed with input from HeidelbergCement and is closely aligned with our own carbon-neutrality strategy. In view of the national elections in September, VDZ’s political engagements in 2021 concerned primarily the implementation of the necessary framework conditions to enable industry transition in the German cement industry without endangering its competitiveness. Focus areas included the introduction of the national emissions trading system in Germany in parallel to the EU ETS, accelerating the increased renewable energy capacity, and funding programs and accelerated permitting for developing CCU/S and a CO2 transport infrastructure. In addition to CO2 reduction, VDZ also elaborated its position on resource conservation stating that climate protection and the responsible use of raw materials must go hand in hand. VDZ is in the final steps of developing a resource study that will identify further reduction potential along the entire value chain. On the topic of CCU/S and CO2 infrastructure VDZ advocated for the development of a national carbon management strategy similar to the one published by North-Rhine Westphalia in October 2021. VDZ engaged proactively in the public debate on developing concepts for opex support for low-carbon breakthrough technologies.

VDZ’s decarbonization roadmap considers the entire construction value chain from clinker, cement and concrete to the construction site, the structure itself, the re-use of components and recovery of construction waste through revision of construction law, the rapid adaptation of standards and regulations in the interests of climate protection and the accelerated standardization of CO2-efficient products. This encompasses the creation of incentives for investment in more climate-friendly cements and concretes as well as making these competitive compared to conventional products. Attachment of greater significance to the climate footprint of construction materials in civil engineering, sustainability certification of large constructions, and provision of sufficient incentives for customers are also part of the proposal. HeidelbergCement’s General Manager for Germany serves as VDZ president and the company is represented in most working groups.

Our US cement industry association, Portland Cement Association (PCA), has been moved from partially aligned to fully aligned due to considerable advancement in its positioning in several areas and refinement of proposals on climate and energy policy. The PCA Roadmap to Carbon Neutrality by 2050 was developed over the course of more than a year and was released in October 2021. During the development process, Lehigh Hanson (HeidelbergCement AG’s North American Subsidiary) provided substantial involvement, direction and input on the direction of the
Roadmap, including on significant work on PCA’s Carbon Pricing position as well as much improved focus on clean energy transition and circular economy perspective. The Roadmap includes focus in five significant areas of carbon reduction, all of which line up with Heidelberg’s Climate Advocacy principles, which are spelled out in Clinker, Cement, Concrete, Construction and Carbonation. Continued work with PCA will ensure ongoing measurement and reporting of progress in the coming year and beyond. Leigh Hanson is represented in the Board of Directors through its Chief Executive Officer.

Foundation KlimaWirtschaft (previously Foundation 2º) is a CEO-initiative with the aim of limiting global warming, to generate further positive momentum for industry transition and climate protection. They directly engage German government representatives and international organisations on issues relevant to enable industry transition. Foundation KlimaWirtschaft issued a well-recognised Action Plan in autumn asking to accelerate the competitiveness of emission-reduction technologies, renewables, and hydrogen, improve energy efficiency, simplify infrastructure planning and advance on international climate negotiations. Besides contributing to the strategy and policy work, HeidelbergCement also contributed to several public debate organized by the Foundation, amongst others, at the New York Climate Week and the UN Climate Conference COP26. HeidelbergCement is represented by the Chairman of the Managing Board.

The Zero Emissions Platform (ZEP) is a like-minded coalition pushing for fast deployment of CCU/S and advocates for recognition of CCU and CCS in climate policies. As an issue-specific coalition, it does not take positions on topics such as sustainable construction or concrete recycling. As technical expert, comprised of industry, academia and NGOs, ZEP primarily provides information on cost, infrastructure planning, and technological advice via studies, workshops, and direct engagements. HeidelbergCement is represented in the Advisory Council Executive Committee and various working groups.

Based on these positive results, we will continue our engagement with these associations with the same intensity.

**Partially aligned associations**

The Bundesverband der Deutschen Industrie (BDI) has moved from partially misaligned to partially aligned. BDI has conducted a major study “Klimapfade 2.0”, which outlines the investment needs for the transformation of the German economy and policy recommendations. The study includes some crucial findings for the industrial decarbonization also highlighting the need for significantly increased hydrogen, renewables, and CCU/S for process industries. HeidelbergCement has been an active contributor to the discussions and has advocated to include a broader scope of technological solutions to be include. The mentioning of CCU/S as a main pillar of industrial decarbonisation and the need for lead markets was an improvement of previous positions. The BDI also takes a more neutral, constructive position regards the introduction of a carbon border adjustment and its potential complementation by a so-called climate club. The Chairman of the Managing Board of HeidelbergCement is represented in the board of BDI and we also actively contribute to the main working groups.
While being in full alignment with HeidelbergCement on most issue areas concerning industry transition and climate protection, the German cross-sectoral construction materials association Bundesverband Baustoffe (BBS) has been assessed as being only partially aligned, because it has a more critical stance towards sustainable finance, criticizing the extension of reporting obligations to SMEs. The Chairman of the Managing Board of HeidelbergCement is the president of BBS and the company is further represented in most working groups.

The Canadian Cement Association (CAC), has also shown a partial alignment with HeidelbergCement policy asks. In the past, there had been a more restrictive stance on carbon pricing and the use of carbon cost via levies or pricing schemes. However, CAC is currently finalizing its ‘Roadmap to Carbon Neutrality’, which has been in developed during 2021 with an anticipated release in the first quarter of 2022. As part of the development process, Lehigh Hanson has provided significant input and involvement on the direction of the Roadmap, which is expected to align very closely with that of the US PCA as well as GCCA. Continued work in coordination between CAC, PCA and member companies will result in a more formal recognition of areas that will be aligned with Heidelberg’s Climate Advocacy principles. A full alignment with HeidelbergCement exists, however, already on the necessary framework conditions to deploy CCU/S. Lehigh Hanson is represented in the Board of Directors and relevant working groups.

HeidelbergCement has increased its activity within these organisations throughout 2021, which has resulted in a more aligned positioning in several points, but some divergence continues to exist due to the heterogeneity of their members, sectoral focus or local perceptions and starting points. Based on these results, we will continue our engagement with these associations with the same intensity as before and increase our involvement on issue areas, where no full alignment has been achieved so far.

**Partially misaligned associations**

The review of the selected associations shows that alignment with HeidelbergCement positions on relevant issue areas concerning industry transition and climate protection is the lowest with one German industry association representing primarily the interests of the energy sector, the so-called Verband der Industriellen Energie- und Kraftwirtschaft (VIK).

VIK has not been able to find consensus so far on a more holistic climate policy framework due to its diverse members. The association also lacks position on other relevant issue areas or has a more restrictive stance. HeidelbergCement is represented in several of the relevant working groups and actively advocates for a shift in some of the existing positions.

HeidelbergCement has increased its engagement in VIK in 2021 while our direct impact remains limited to some extent due to the association’s predominant focus on the interest of the energy sector. We will continue with an increased engagement to improve the alignment with our positioning.